Crisis? What crisis? A critical appraisal of World Bank housing policy in the wake of the global financial crisis.

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Abstract

This paper critically assesses international policy advocacy on how to resolve massive shelter needs in the developing world. It does so by focusing on the World Bank as a leader in development. It argues that the Bank's housing policy remains thoroughly limited by its persistent commitment to neoliberal and financialised policy practices. These put housing finance at the centre of attempts to relieve shelter needs in the developing world despite the dramatic failures of such an approach as laid bare through the Global Financial Crisis. The paper takes a historical approach to examine the trajectory of World Bank housing policy and is based on close scrutiny of a combination of quantitative and qualitative data. It concludes that an urgent need persists for a decoupling of finance from housing in international policy advocacy.

Keyword: housing, housing finance, World Bank, neoliberal, global financial crisis.

> *'Providing housing for 3 billion people by 2030 is both a challenge and an opportunity. It is not an impossible feat, but one that can be overcome if we work together to develop financial systems that will*

increase access to sustainable housing finance in the developing world' (Sixth Global Housing Finance Conference, May 28-29 2014, World Bank Group, Washington, DC). [1]

Introduction

Massive shelter inadequacies exist across the developing world. Over 880 million people live in slums in developing countries, up from 792 million in 2000 (UN-Habitat, 2015: 7). This is projected to double within the decade. These dire shelter needs are well-recognised in international policy circles, which has been most emblematic with the formal adoption of a 'housing for all' target (11.1) as part of the Sustainable Development Goals.[2]

This paper scrutinises the policy paradigm promoted by the World Bank on how shelter inadequacies in the developing world should be overcome. It focuses on the World Bank as a public international financial institution that exercises a leadership role in development discourse and policy practices, including on housing. More specifically, the paper investigates whether the dramatic experience with housing finance in subprime markets through the Global Financial Crisis (GFC) had any substantive implications for World Bank-promoted housing policies across the developing world. The paper does so by pursuing a historical approach which allows to demonstrate how an initial neoliberal bias in Bank housing

[1] http://www.worldbank.org/en/events/2014/05/28/6th-global-housing-finance-conference.
[2] According to Target 11.1 there should be 'access for all to adequate, safe and affordable housing and basic services' by 2030 (https://sustainabledevelopment.un.org/sdg11).

policies rapidly transformed from the 1980s onwards into an agenda that put housing finance at its centre. This shift accelerated during the 1990s and 2000s. It was impervious to increasingly loud denunciations of World Bank policies in the late 1990s as well as the extraordinary events of the GFC in the late 2000s that dramatically exposed the shortcomings of finance-led housing policies. Since the GFC, the Bank's approach remains centrally organised around housing finance, and this has more recently combined with its advocacy of public private partnerships (PPPs) in infrastructure provision, including shelter.

Through its analysis, this paper contributes to a set of intersecting debates, including most broadly, on the role of the World Bank in development, the neoliberalisation and financialisation of housing provision, and the nature of the fallout of the GFC for policy paradigms promoted by international financial institutions like the World Bank. Further, while a literature on housing and financialisation is rapidly growing for the developed countries,[3] contributions on financialisation and shelter provision in the developing world remain scarce.[4] This paper then contributes to the latter debate, but does so by deploying the Bank's approach to shelter as a prism to examine trajectories of neoliberal and financialised forms of housing policy in the developing world. This focus means that a full review of the impact of such policies across different geographical locations is beyond the scope of the paper, although reference is made, where possible, to the existing evidence base.

[3] See Aalbers 2015 for a review; Robertson (2014) and Rolnik (2013).

[4] The exceptions are Desai and Loftus (2012) and Gryffud Jones (2012) on financialisation and slum upgrading programmes, and Soederberg (2014a) for a critical assessment of mortgage securitisation in the service of low-income housing in Mexico.

Before proceeding, however, a set of (preliminary) issues need tackling. First, the role of the World Bank in international housing policy needs clarifying. Second, the articulation between international housing and national housing policies needs specifying. And, third, the analysis needs to be situated within the broader debates on neoliberalism and financialisation.

Taking the last issue first, Aalbers' (2017) entry in the International Encyclopaedia of Geography (Richardson et al., 2017) on the rapid proliferation of 'financialisation' across the social sciences provides a useful analytical anchor. Aalbers (2017: 4) adopts a broad definition of financialisation as: 'the increasing dominance of financial actors, markets, practices, measurements, and narratives, at various scales, resulting in a structural transformation of economies, firms …, states, and households'. With this definition, he categorises the fast-growing financialisation literature according to ten different themes, stretching from a literature that understands financialisation as a 'historically recurring process' signalling the decline of hegemonic powers, to contributions critically examining the discursive shifts implied by the rapid proliferation of finance across various aspects of social, economic and daily life.

Following Aalbers' (2017) categorisation, this paper sits across the strands of the financialisation literature that focus on the financialisation of public policy (theme 8) and, if to a lesser extent, the financialisation of the public sector (theme 7). For Aalbers (2017: 11) the idea of the financialisation of public policy draws attention to the active role played by the state in promoting 'a movement away from the state and into financial markets' the creation of which has been facilitated by a 'combination of commodification/privatisation and de/re-regulation'. We take this notion forward in the study of a public international financial institution, the World Bank, as an enabler of financialised public policy through its promotion, specifically, of financial market development in support of commodified housing provision in the developing world.

An interrogation of World Bank housing policies in the wake of the GFC also needs to be situated vis-à-vis the large literature on neoliberalism and the conceptual relationship between neoliberalism and financialisation to be clarified. Here, again, Aalbers (2017) is useful in emphasizing the interdependence between the two, with financialisation often promoted through a neoliberal agenda.[5] Fine and Saad-Filho (2016) pursue the idea of such an interdependence further. For the authors, financialisation captures 'the increasing role of globalised finance in ever more areas of economic and social life', yet it underpins and is itself propelled forward by a neoliberal system of governance. And while there are distinctive features to such a system of governance, in particular its promotion of the interest of private capital (and finance), neoliberalism is not a homogenising force but produces diverse and variegated outcomes. This emphasis on variegated forms and outcomes of neoliberalism indeed recurs in the vast literature on the topic (see Peck et al., 2013). The literature also draws attention to the discrepancies between its rhetoric, scholarship and policies in practices and points to shifting and uneven

[5] Aalbers (2017: 12) adds that despite various attempts to tease out strict causalities between the two concepts, 'it is hard to disentangle [their] causal relationships for … [they] are both so widely defined and … part and parcel of each other'.

relationships between these three dimensions of neoliberalism, across topic and over time (see Fine 2001; Bayliss et al., 2011), capturing a theme that runs through this paper.

This brings us to the two other preliminary issues identified above that need clarifying before we can proceed. These relate to, on the one hand, the role of the World Bank in international housing policy and, on the other, the interface between international and national housing policies. As discussed elaborately below, the World Bank entered the field of housing policy during the 1970s. In doing so, it joined a set of international (and national) institutions that had been intervening in housing policies in the developing world since the 1950s (Chiodelli, 2016; Ramsamy, 2006; Stren, 2014). The Bank rapidly rose to prominence to become the major donor agency in the sector, disbursing a cumulative amount of US$ 16 billion in loans to the sector worldwide over three decades and positioning itself at the heart of various international policy networks on housing (International Housing Coalition, 2008: 3).[6] And, as aptly observed by Ramsamy (2006: 78), while the World Bank does not necessarily act as a pioneer in shifting approaches to housing, it 'has the power to appropriate key aspects of the debates, inflect them to suit its own agendas, and endorse its positions such that everyone else follows suit until a new debate arises'. Its hegemonic role in development discourse, in general, and international housing policy in particular, derives from

[6] It is telling that as the United Nations (UN) institutionalised an interest in shelter through the creation of the United Centre for Human Settlements (now UN-Habitat), in 1978, and successive UN declarations on housing (in 1987 through the first Global Report on Human Settlements, in 1996 through Habitat II and, most recently through Habitat III in 2016), its priorities on shelter remained closely aligned with World Bank-identified priorities (see Chiodelli, 2016; Keivani and Werna, 2001; Pugh, 1995).

its 'manufacture of consent among actors at multiple scales' (Ramsamy, 2006: 28). This stems from its power to alleviate financing constraints through its lending function, but this is enhanced by the 'knowledge role' the institution has formally crafted for itself over time (see Van Waeyenberge and Fine, 2011).

Further, the trajectory of Bank housing policies is determined by the World Bank's own institutional reconfigurations. The World Bank Group is a public financial institution, owned by its member states, which lends to both public and private institutions through different parts of its organisation. The public sector arms include the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA). These extend loans on near-market and concessional terms, respectively, to governments or under government guarantee. This contrasts with the activities of its private sector arm, the International Finance Corporation (IFC), which provides financial support directly to the private sector (either through loans, equity stakes or technical assistance). Traditionally, the World Bank Group's operations have focused on lending to governments often to support large-scale projects. Since the 1980s, however, the World Bank Group has been characterised by a rapid reconfiguration away from lending to the public sector, towards support for the private sector as the Bank became an important sponsor of neoliberal policies across the developing world (see Van Waeyenberge et al., 2011). Institutionally, this has reflected in the rapid rise of its private sector arm, the IFC, and the increased mobilisation of its public sector lending facilities in support of private sector activities (including through conditionalities of liberalisation, privatisation and deregulation in its lending programmes). This implies that increasingly over the last three decades the World

Bank has deployed publically-backed resources in support of private (and financial) sector activity in the developing world. In the context of housing, this trend has been particularly visible as the rapid rise of housing finance in Bank housing interventions translated into a growing share of its private sector arm, the IFC, in the Bank Group's shelter portfolio, supplying resources (financial and otherwise) to extend the role of private financial institutions in developing countries' housing systems of provision.

Finally, the national articulation of World Bank policies, in general, and for housing in particular, is uneven across time and space and varies with a host of parameters, including the nature of the international integration of a country, its relationship to the World Bank and its major shareholding nations, specific domestic political economy configurations including those bearing on the role of housing policy domestically, financial sector development, etc. Yet, as Pugh (2001: 399) stresses: '[a]lthough individual nations develop their housing and urban policies within their own political, economic and cultural conditions, the World Bank and other international aid agencies have had powerful impacts in promoting and applying their favoured (and changing) theories and practices of housing'. A focus on the World Bank then allows to tease out essential features of the broad contours of changes in shelter policies as these take form more specifically across developing countries.

This paper is based on the analysis of quantitative and qualitative data.[7] The quantitative data were collected from the World Bank's Operations and Projects database and were used to construct a complete portfolio of World Bank housing loans. [8] The quantitative data were combined with extensive consultation of World Bank Project Appraisal Documents which provide specific details of each loan programme. The results of this qualitative data collection exercise were thematically coded to reveal patterns and to assist the analysis of the quantitative data. Loan programme-specific data (both quantitative and qualitative) were also interpreted through critical discursive analysis of World Bank policy documents on housing and urban development (World Bank 1972a, 1974, 1975, 1982, 1993, 1994, 2000, 2003, 2006, 2010, 2015) and various other World Bank interventions, including working papers, published articles, websites, conference presentations, etc.

The paper proceeds as follows. First, section two documents how the Bank's original involvement in housing policy in the early 1970s was subservient from its inception to an agenda that sought to expand the realm of markets. Section three illustrates how, from the 1980s onwards, the Bank's original promotion of private housebuilding was re-oriented to become focused on housing finance. Yet, as the shift to housing finance accelerated, the distribution of Bank shelter loans across

[7] I would like to thank Ms. Christina Wolf for her research assistance.

[8] More precisely, the IDA and IBRD components of the World Bank housing portfolio were constructed drawing on the World Bank's Projects and Operations dataset. This includes information on all of the World Bank's lending projects from 1947 to the present and can be accessed at http://data.worldbank.org/data-catalog/projects-portfolio. The IFC component of the World Bank Housing related portfolio was constructed drawing on the query tool provided by the IFC (http://ifcextapps.ifc.org/ifcext/spiwebsite1.nsf/$$Search?openform). For IFC housing operations prior to 2005 we were granted access to the database underlying World Bank (2006).

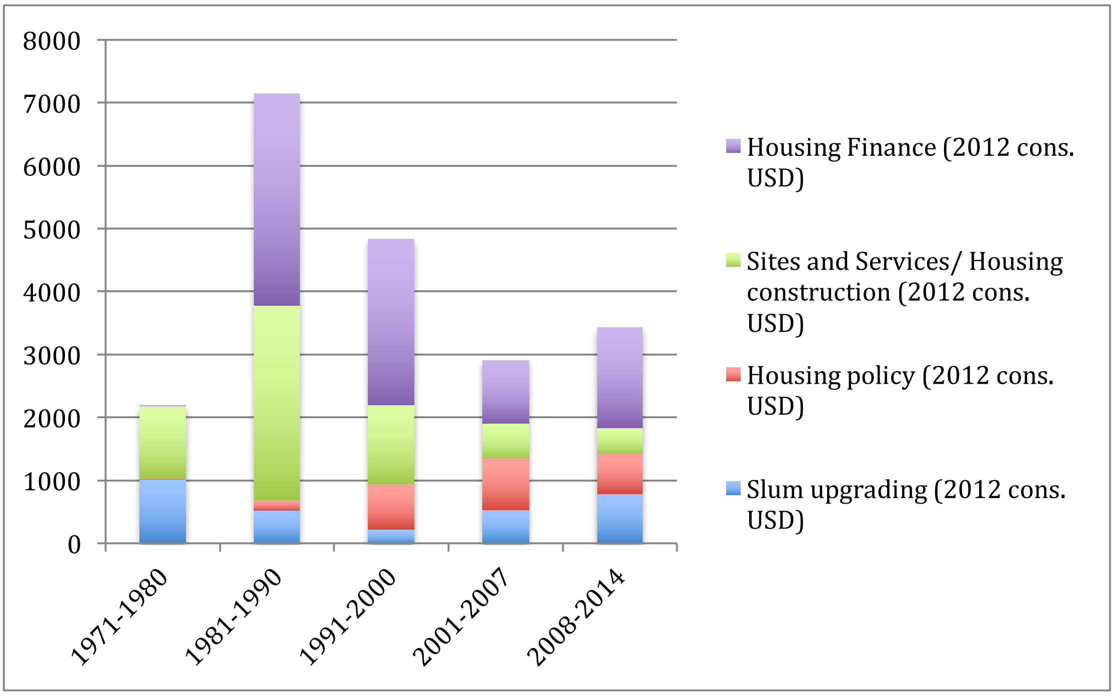
and within countries moved away from poorer countries and poorer sections of society within countries. This sat uneasily with the Bank's projected poverty-reducing mandate, and section four documents how a 'participatory' finance-led approach was promoted, now extending into microfinance for housing. Section five considers the response of Bank housing policy to the events unleashed by the housing finance crisis originating in large-scale foreclosures in the USA. This draws attention to the Bank's persistent promotion of a model of housing provision centrally organised around housing finance and commodification. The final section concludes by tying the paper's arguments back to a broader set of themes.

Public Assistance for Private Housing: Celebrating Self-Help at The Bank

The Bank entered the field of housing and urban development in the early 1970s as part of then-President, Robert McNamara's drive to broaden its realm of interventions to include social policy lending over and above its traditional focus on infrastructure, industry and agriculture. The Bank was, however, keen to maintain its conservative image as a bank and to counter accusations that social lending operations risked turning the institution into a social welfare organisation (see Alacevich, 2009). In an attempt to resolve this tension, Bank housing interventions were characterised, from the start, by a focus on markets and a commitment to private housebuilding.

Figure 1 illustrates how sites-and-services and slum-upgrading programmes dominated the Bank's housing interventions during the 1970s. Sites-and-services programmes provide land on which individuals construct their own homes. Slum upgrading involves incremental changes to slum areas through the provision of land tenure to residents and/or upgrading of infrastructure (water supply, sewerage, electricity, sidewalks). These type of shelter interventions were explicit in their aim to provide *public* assistance for *private* housing construction and sought to trigger private investment through dwellers' 'self-help' efforts (World Bank, 1972a, 1974, 1975). They were guided by three principles: to provide low-cost 'affordable' housing for low-income families; to recover costs from beneficiaries and to eliminate public subsidies in housing provisioning; and to create replicability, where cost recovery would demonstrate profitability for the private sector in moving downmarket in housing provision (World Bank, 1993: 54).

Figure 1. World Bank (IBRD and IDA) (public sector) shelter portfolio in constant million 2012 US$, 1971-2014 (July)



Source: World Bank Project Database, excluding disaster relief.[9]

[9] The numbers for 'Housing Finance' and 'Sites and Services/ Housing Construction'-related projects were taken directly from the sectoral allocation provided in the World Bank Projects and Operations Database. Housing construction projects related to disaster relief operations (e.g. emergency housing reconstruction of earth quake damaged region) were excluded. The numbers for 'Slum Upgrading' and 'Housing Policy' were constructed manually based on the publicly disclosed online documents (staff appraisal document or project information document) for

The first Bank housing loan was for a sites-and-services project in Senegal (World Bank, 1972b). Acting as a template for subsequent loans, it sought to provide urban building lots together with facilities in the cities of Dakar and Thies. The idea was that prospective tenants of the sites would buy their lots by instalments covering the cost of site preparation, interest, management and water service charges. Payments would be made over 15 years at an interest rate of 7 per cent to the official entity responsible for low-income housing. They would create an investment fund for the continuation of a national sites-and-services programme after the completion of the Bank project (p. 20). By accepting the funds for the sites-and-services project, the Senegalese government pledged to reduce public sector construction of social housing as well as its general budgetary expenditures on housing – with the new sites-and-services strategy aiming to be self-financing (World Bank, 1972b: 7).[10] Finally, budgetary limits rather than professionally designed housing standards were to determine methods of construction (see Ramsamy, 2006).

Underlying this type of housing intervention was a proposition that attributed a set of strengths to informal sector housing. Public assistance was to build on these

projects classified under the theme 'Urban Services and Housing for the Poor', 'Urban Planning and Housing Policy' as well as 'Other Urban Development'. The author can provide further detail of how data were categorised upon request. All projects were deflated using the implicit GDP deflator provided UN National Accounts Database of the USA in the year of the project board approval.

[10] See also Kumar (2011: 667) who highlights that the Bank's support for a large upgrading and sites-and-services project in Madras (India, 1977) was dependent on the scaling down of conventional public housing.

alleged strengths rather than 'to replace the informal sector or seeing the sector as a "problem"' (World Bank 1975 quoted in World Bank, 2006: 15). This echoed earlier celebrations of 'aided self-help' housing that had been promoted by international institutions intervening in housing policy from the early 1950s onwards, including the United Nations, the U.S. Agency for International Development (USAID) and the U.S.A. Public Housing Department (see Harris, 1998; Harris and Giles, 2003; Ramsamy, 2006). Harris and Giles (2003: 168) highlight that public housing was never favoured across these organisations. Instead, an important role was ascribed to homeownership and private provision, both of which had strong ideological appeal in the Cold War context.

This ideological appeal combined subsequently with a set of analytical propositions celebrating the private sector's capacity to respond to price signals in a housing market based on secure title (Mayo et al., 1986).[11] Reaffirmed in Malpezzi (1994: 457), the assertion was that while real estate and housing markets are not like 'stylised textbook markets', they remain markets that 'can and do reach the poor'. This depends, however, on the development of housing finance as the market moves downwards. The availability of finance is argued to stimulate demand for housing and to trigger increases in supply. Supply constraints are understood to result from land use planning, building codes and standards or attempts by the state to supplant the market through the provision of publicly

[11] Jones and Ward (1994) illustrate how the Bank had originally been sceptical about the possibilities of free-market solutions for urban land policy. The Bank (1972a: 39) was explicit on the inefficiencies of the market in allocating land market values. Yet, by the early 1980s, a belief in the virtues of the market, also for land, dominated. The emphasis on secure title further anticipated de Soto's (2000) proposition that title allows 'capital locked in dead assets' to be unlocked through its role as collateral for credit for businesses to be set up by home owners. See Gilbert (2002) for a critique.

constructed housing (Malpezzi, 1990). For Bertaud (1992: 53): 'no "scientific" method has yet been developed which could substitute for the order created by the market', the main imperative is 'to get the incentives right' (Malpezzi, 1994).

The promotion of private over collective provisioning stood in stark contrast to large-scale public sector efforts to increase the housing stock across a range of developing and developed countries during the 1950s and 1960s. These reflected a recognition of the inadequacy of the market to address acute shortages in housing. The widespread prevalence of market failures in housing bears in particular on the potentially perverse effect of price signals on housing supply originating in the specific nature of the underlying commodity, land (see Baken and van der Linden, 1993; Harvey, 2013; Keivani and Warni, 2001). Once the analysis incorporates land as a fictitious form of capital deriving expectations of future rents (see Harvey, 2013: 28), price movements can elicit perverse supply responses when the anticipation of speculative gains (emerging from rising prices) becomes an obstacle to housing delivery (see also Desai and Loftus, 2012). The inequities produced through the market can become exacerbated when combined with the promotion of housing finance (see Robertson, 2014).

Yet, notwithstanding the shaky analytical foundations underlying the case for private provisioning through the market, the Bank's entry into international housing policy entrenched self-help and private provision as the orthodoxy of international housing interventions (see also Pugh, 1995). Certain forms of provision, including through collective forms of tenure (such as offered by housing associations or public housing) became marginalised in favour of an a-priori commitment to owner-occupation tenure forms. Further, the Bank's housing projects celebrated the principles of cost recovery through user pay, lowering standards to create 'affordability' and replicability of demonstration projects by the private sector. As such, the institution facilitated a move away from publicly funded provisioning to provisioning determined by individual capacity to pay (through user charges – here, paid in instalments). With time, this neoliberal model would come to prevail across social policy more broadly.[12] It would itself become transformed as Bank advocacy and policy practices became more closely aligned with financialised public policy imperatives through their greater focus on housing finance.

The Turn to Finance

The 1980s saw important changes in the Bank's approach to housing. The Bank rapidly expanded its shelter lending with this increase driven by the rise of lending for housing finance (see Figure 1). Sites-and-services or slum-upgrading projects became less important, as the Bank argued that instead of concessional loans for physical interventions (like sites-and-services programmes), it was access to finance that would improve housing conditions (Buckley, 1999: 50).[13]

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[12] Note that the argument that housing is an area of social policy in which neoliberal reform was first promoted to be emulated across other realms of social policy (including health, education, pensions), has been put forward for OECD countries. For Doling (2012: 31), following Malpass (2006), housing 'has been at the leading edge of [welfare] reform' – away from a system of universal services funded through taxation.

[13] Payne (1984) provides an alternative account of sites-and-services and slum upgrading projects and emphasises the downward raiding by middle-income households of improved sites; the inappropriate geographical location of the sites; and the adverse effects on rent affordability.

With the turn to finance in the Bank's housing paradigm, housing finance came to account for nearly half of Bank shelter lending between 1982 and 1991, up from a negligible share of less than 2 per cent during the previous decade. Moreover, over 80 per cent of housing finance loans were channelled to (private) financial intermediaries rather than to public sector housing authorities. In countries that relied on government housing programmes (such as Korea, Thailand, Chile and Mexico), a central objective of Bank lending was to refocus the activities of public-sector housing authorities so that space would be created for the financial sector to participate in the mortgage market (Buckley, 1999).

Reflecting the themes identified in the introduction, Bank housing finance projects aimed to replace public with private sector finance for low-income housing by incorporating local financial institutions in the provision of housing finance and by discouraging the use of subsidized and directed credit towards housing (World Bank, 1993: 45). The idea was that affordable low-income housing would be supplied on a full cost-recovery basis through the market, and that long-term, sustainable, finance for low-income housing would be secured from 'self-supporting financial intermediaries' (World Bank, 1993: 52). The Bank advocated for this shift to be accompanied by a reform of the subsidy regime away from interest rate subsidies towards one-off capital grant transfers.

The shift towards housing finance at the Bank succeeded active promotion of local private housing finance institutions by the US Agency for International Development (USAID), in particular, through the Housing Guaranty Program, inaugurated in 1961 (see Pugh, 1995). This programme provided developing country housing finance institutions access to US capital markets, which was covered by a 100 percent US government guarantee. Its projected aim was to increase shelter for low-income families in developing countries by stimulating local credit institutions (GAO, 1995: 14) and, by the mid-1980s, the Housing Guaranty Program constituted 'by far the largest source of housing assistance to developing countries' (Buckley et al., 1985: ii). USAID's promotion of housing finance mirrored the fast (re-)internationalisation of Northern, and in particular, US banking business (see Christophers, 2013), and, where USAID led, the Bank followed. The promotion of 'self-help' (or individualised shelter provision) in international housing policy combined with particular financial practices that were to gain traction as the internationalisation of Northern banks accelerated.[14] This happened in conjunction with a set of financial sector reforms in developing country, including financial sector deregulation, privatisation of financial institutions, the removal of obstacles to foreign bank entry, and capital account liberalisation.[15] For the Bank, financial liberalisation and a global transformation of financial systems enhanced the prospects for rapid development of private housing finance, with the latter projected as essential to finance massive housing needs in developing countries (Renaud, 1999).

The trend towards what the Bank discerned as a more 'comprehensive' approach to housing, through its shift towards housing finance, was consolidated during the 1990s with the introduction of housing policy loans. A housing policy loan typically

[14] See also Akyüz (2014) on the role of mortgage finance as a conduit for the internationalisation of finance.

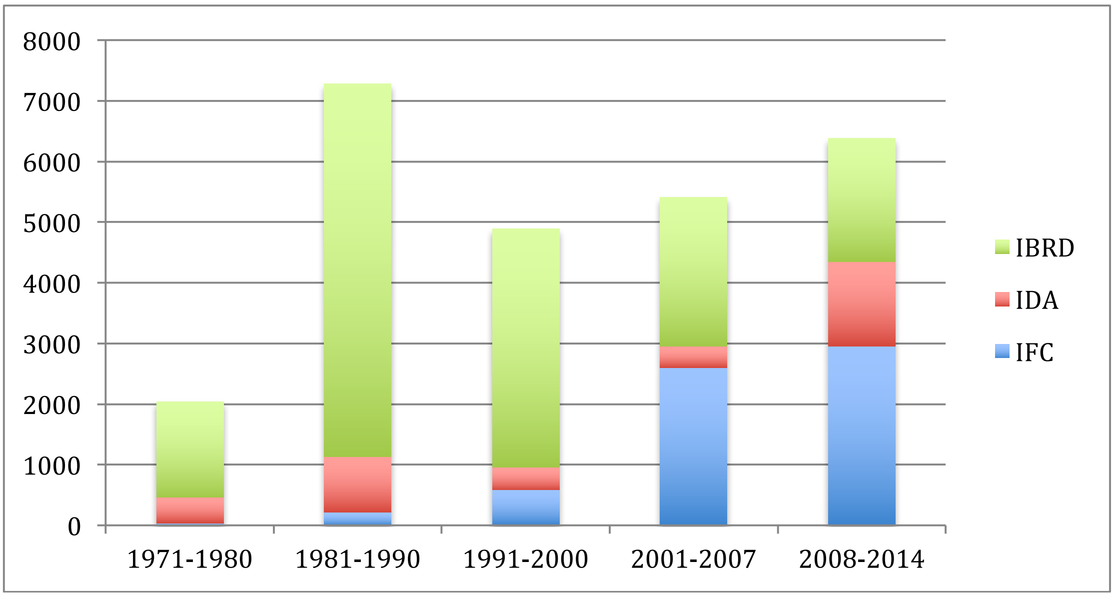
[15] These reforms reflected more general efforts to liberalise developing country economies through the Bank's structural adjustment programmes (see Van Waeyenberge, 2006).

sought to strengthen the institutional and regulatory environment of the housing market and to increase access for low-income households to ‘more affordable and higher quality housing’ (World Bank, 2010: 12). Often, such a loan promoted mortgage lending through the provision of loan guarantees with the aim of attracting banks to lower-income households and sought to restructure existing subsidy programmes, away from interest rate subsidies towards capital grant subsidies (as a form of cash transfer). The latter would facilitate access to finance by serving as deposit. Up-front housing subsidies targeted at the poor would combine with private-sector suppliers delivering housing through the market.

Figure 1 above illustrates how housing policy loans increased fourfold between the 1980s and the 1990s. This accompanied the continued importance of housing finance to reach 55 per cent of total Bank shelter lending. This compared to the near-halving of the combined share of slum-upgrading and sites-and-services projects between 1980s and the 1990s.

As the Bank moved into housing finance, a stronger role emerged for its private sector affiliate, the IFC. This was reflected in a re-allocation of housing finance portfolios across the World Bank’s affiliates away from its public sector towards its private sector arms. Figure 2 illustrates how from a very low base during the 1970s, the IFC was set to become the dominant World Bank Group housing player (see also below).

Figure 2. Total World Bank Group shelter portfolio, in constant million 2012 US$, 1971-2014 (July)



Source: World Bank Project Database and, for IFC projects prior to 1995, the database underlying World Bank (2006) which was made available by the authors upon request. Excludes disaster relief.

The Bank's emphasis on finance in its shelter portfolio affected the allocation of its loans. Larger loans became the norm and the client base shifted from low- to middle-income countries. This had regional implications and Bank shelter lending to Sub-Saharan Africa fell rapidly (World Bank, 2006). Within countries, the finance emphasis in shelter programmes implied a move away from low-income households for whom finance for their own home remained persistently out of reach.

A Brief Interlude?

As the 1990s unfolded, Bank programmes came under increased scrutiny in particular with regard to their impact on poverty. In response, the Bank sought to revive its strategic mission focused on poverty reduction, including in shelter, particularly in the wake of the negative equity implications of its shift towards housing finance (see above). In this context, it launched the Cities Alliance (World Bank/UNCHS, 1999) with the aim of mobilising, once again, resources for slum upgrading and facilitating participation in shelter programmes.[16]

The participatory approach implied an emphasis on the role of non-governmental organisations (NGOs) or community-based organisation (CBOs) in including the poor in the finance-led model of housing provisioning rather than that it entailed any fundamental challenge of the latter (see Otiso, 2003). Under the ideological banner of 'financial inclusion', private financial institutions were to move downmarket and avenues to be explored to integrate formal and informal finance through third way approaches involving NGOs, community banks and public partnerships (Datta and Jones, 2001: 334; Gwinner et al., 2005; Mitlin, 1999; Solo, 2009). This led to a celebration of housing microfinance (see Buckley and Kalarickal, 2005: 247).[17]

In terms of the Bank's shelter portfolio, the share of slum upgrading in Bank lending increased during the 2000s (2001-2007) compared to the previous two decades (see Figure 1), but the bulk of its shelter portfolio remained focused on housing finance (now also targeted at lower-income households) and private-led housing provisioning (including through private sector involvement in slum upgrading). Indeed, close inspection of appraisal documents of projects with a

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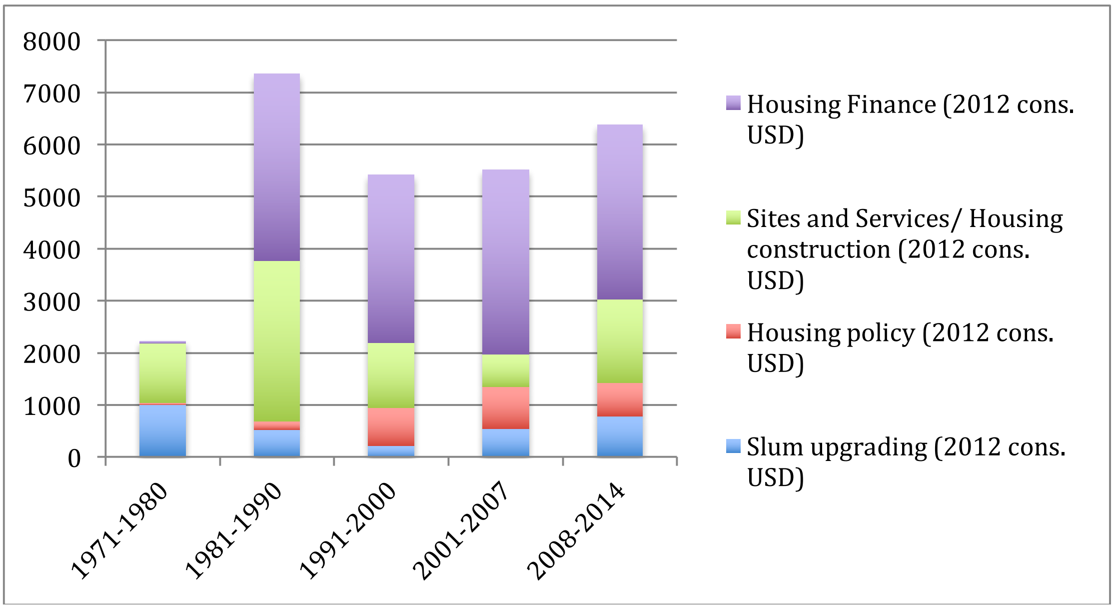
[16] This resulted in initiatives like the Slum Upgrading Facility (created in 2004) and the Participatory Slum Upgrading Programme (created in 2008). See Gruffyd Jones (2011, 2012) for a critique.

[17] Housing microfinance loans are not necessarily mortgages but consist of smaller loans with the aim of financing incremental improvements of housing conditions. See Bateman (2010), Roy (2012) and Soederberg (2014b) on the systemic failures of microfinance and its tendency to worsen inequalities.

shelter component committed between 2000 and 2007 reveals the persistence of the following imperatives: titling (land tenure regularization) and the fostering of 'efficient' land markets; access to housing finance, including for low-income households – either by fostering micro-credit schemes or by incentivizing mortgage providers to move down-market (e.g. through guarantee schemes); expanding the role of the private sector in the delivery of affordable housing; and subsidy reform, seeking to integrate one-off capital grant subsidies in finance-led housing provision for the poor.

The picture becomes starker when we include the IFC, which is active in a range of housing finance activities such as the development of primary mortgage markets, securitisation and mortgage insurance, and offers advisory services through such instruments as the Global Mortgage Toolkit and the Housing Microfinance Toolkit (see Gwinner, 2012). Figure 3 reveals how, as a share of total World Bank Group activities, including IFC operations, housing finance grew to represent over 60 per cent of all Bank Group shelter activities during the 2001-2007 period, while the combined share of slum upgrading and sites and services fell to 22 per cent over the same period (down from 27 per cent in the previous decade). This trend reflects the rapid rise of the IFC in World Bank Group shelter activities, with its share reaching nearly 50 per cent during 2001-2007. While the combined shelter portfolio of the public sector arms of the Bank, almost halved between the 1990s and 2000s, the portfolio of its private sector affiliate, the IFC, increased fourfold (see Figure 2).

Figure 3. World Bank Group (IBRD, IDA and IFC) shelter portfolio across different types of intervention, in constant million 2012 US$, 1971-2014 (July)



Source: World Bank Project Database and, for IFC projects prior to 1995, the database underlying World Bank (2006) which was made available by the authors upon request. Excludes disaster relief.

So, while the poor had initially been excluded from the finance-focused shelter approach, the Bank sought ways to include them: non-profit and/or CBOs were drawn upon to facilitate the integration of the previously financially unserved into the realms of finance-led shelter provisioning. The aim was for the poor to be integrated into the pre-existing finance-centered shelter paradigm, now extended to include housing micro-finance.

Bank Shelter Policy and the Global Financial Crisis

While the Bank promoted housing finance in developing countries, developed countries witnessed the fast expansion of mortgages for vulnerable segments of society following rapid restructuring and liberalization of mortgage markets. The Bank's review of Thirty Year Shelter Lending remarked on the way in which 'competitive and affordable housing finance [had been] growing rapidly in both developed and developing countries' (World Bank, 2006: 41). The 'speed at which market-based housing finance has spread throughout the world' astonished the authors, who observed that, since the turn of the millennium, 'the world changed from one in which most of the world's population did not have access to mortgage finance to one in which most of the world's population now lives in countries with a market-based mortgage finance system with generally affordable terms' (p. xii). The Report added that while market-based housing finance was now available to many middle-income people in the world, 'it is still not available in most countries or for the poorest people' (p. xii). Here a role for the Bank emerged. Together with the broader international donor community, it would disseminate the lessons of 'how to develop sustainable housing finance, as well as [to] foster housing microcredit institutions which could bring banking services and forms of consumers finance to millions of underserved poor people around the world' (p. 6).

At the time of the publication of this review of its shelter lending, a fast increase in the rate of foreclosures in low-income areas threatened large numbers of poor people's access to shelter across various USA cities not too far from the Bank's headquarters. This had followed a phenomenal expansion of housing finance in subprime USA housing markets where loan volumes had exploded during the period between 2004 and 2006 (see Gotham, 2009: 365). People who had previously been considered as insufficiently creditworthy had aggressively been targeted as potential mortgagees for homes that were often in poor condition (Dimsky, 2012). By the end of 2007, nearly 2 million people in the USA had lost their homes and it was estimated that between another 4 to 6 million could be set to suffer a similar fate (Harvey, 2009: 1270). By mid-2008, a full-blown global financial and economic crisis had been unleashed, triggered by the failure of these low-income households to keep up with the payments on their debt-financed homes. Through securitisation of residential mortgages and the fast take-up of these financial instruments by various financial and non-financial institutions across the world (see Schwartz, 2012), these defaults provoked a global financial crisis and, as the latter transformed into the Great Recession, caused enormous losses in the real economy across the world. Further, the subsequent large-scale rescue efforts of the financial institutions by the public sector caused a fiscal crisis of the state in a number of countries, which led to drastic spending cuts being implemented through austerity packages (see Ortiz and Cummings, 2013). At the heart of this threat to the world financial system and of the consequent implosion generated by the Great Recession stood the failure to provide decent and affordable housing for low-income households in the USA outside of a framework of mortgage finance for homeownership (see Bratt, 2012).

This raises the issue of whether, and if so how, the Bank's housing approach, which centres on housing finance for privately provided homes, was affected by the crisis. I argue that while the dramatic events provoked by the collapse of the US sub-prime market received some, if minimal, attention in Bank housing discourse, Bank housing policies in practice displayed little sign of change. On the contrary, the promotion of housing finance and of private-sector led provisioning were consolidated in Bank housing programmes in the aftermath of the crisis. At the same time, the scholarly arguments in support of such programmes remained inadequately organised around efficient market arguments.

As the global financial and economic crisis took full course, the World Bank (2010) issued its new urban strategy document. This followed the publication of the 2009 World Development Report, Reshaping Economic Geography (World Bank, 2009). Both documents bear on shelter policy. Neither, however, present significant departures from the Bank's previous positions on housing. World Bank (2010: 16) concedes that:

> the enabling market approach was far too sanguine about the difficulties in creating well-functioning housing markets where everyone is adequately housed for a reasonable share of income on residential land at a reasonable price,

but the text continues to assure its readers that the 'general principles of enabling markets' remain valid. These must, however, be combined with 'sensible policies and pragmatic approaches to urban planning and targeted subsidies for the urban poor'. For the Bank, key areas bearing on housing that continue to pose the greatest challenge, then, include: planning for markets, public land management, property rights and housing finance (p. 16). The development of primary mortgage markets and the promotion of microfinance remain at the heart of its shelter paradigm. The argument proceeds that pro-poor policies require partnerships with NGOs, CBOs and the private sector (p. 10). And where slum upgrading remains significant, the private sector has an important role to play (p. 10). Throughout the entire document there is one (inconsequential) reference to the global financial and economic crisis (on p. 24).

Turning to the 2009 World Development Report, a general framework advocating for the need for efficient well-regulated markets (for land, labour, goods and finance) continues to prevail and various commentators have denounced the Report's flagrant failures to engage with the realities driving the global financial crisis (see Fine, 2010; Harvey, 2009, 2013). In the context of housing, the emphasis remains on owner-occupation as the preferred form of tenure, the development of residential mortgage markets in developing countries, and an enabling role for the state (World Bank, 2009: 206).

Further, the Bank published Housing Finance Policy in Emerging Markets (Chiquier and Lea, 2009) in 2009,[18] once more extolling the benefits of housing finance. The book discusses the USA subprime crisis in the introductory chapter in less than a page-and-a-half, to ignore its implications in the rest of the text. Indeed, the subprime crisis 'does not contradict the goal of expanding access to housing finance' to the poorer segments of the population (p. xxxviii), but lays bare what happens when this is pursued without a 'sound regulatory regime supported by the necessary risk-management infrastructure'. For Chiquier and Lea (2009) developing country policy-makers can avoid the subprime mortgage mistakes simply through good prudential risk management. There are no fundamental lessons to be drawn from the subprime crisis not in the least regarding the flawed integration of financial and property markets. Yet, where public circuits for housing finance still exist, these have been plagued – without intention of

[18] In various Bank publications this edited volume is referred to as a 2006 Bank publication, which possibly was the initial timeframe for its scheduled release. I speculate that early signs of the subprime mortgage implosion in the US may have delayed publication.

hyperbole or parody – by 'high levels of defaults, non-targeted lending crowding out private sector competitors, ineffective and regressive subsidies, inefficiency, and politically motivated lending' (p. xliii). Unsurprisingly, the role of the state remains one of enabling the development of housing finance markets (p. xliv).

Moving on to Bank shelter lending practices, lending for housing finance represents the largest category in the Bank Group shelter portfolio for the period between 2008 and 2014 (see Figure 3). Moreover, its share *increased* in the Bank public sector portfolio during the crisis period (2008-2014) and now accounts for nearly half of all Bank public sector shelter lending. This compares to the previous period (2001-2007) when it had dipped to one-third of combined IBRD/IDA shelter lending (see Figure 1). In addition, Table 2 (see Annex) lists all housing finance projects committed by the Bank (IBRD/IDA) between 2008 and 2014 and reveals the pervasiveness of micro housing finance. This includes loans for capacity building in micro lending, to refinance microfinance institutions, to develop new products, and to strengthen regulation and supervision in the sector.

While housing finance dominates Bank public sector shelter lending during the crisis period, Table 1 also reveals how shelter projects other than those for housing finance remain characterised by a pervasive emphasis on private sector provisioning, now increasingly pursued through PPPs.[19] The table was compiled on the basis of close scrutiny of the programme documents of IBRD/IDA projects

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[19] See Bayliss and Van Waeyenberge (2017) on how this turn to PPPs corresponds to a more general search by institutional investors for stable inflation-protected yields that are offered through various forms of infrastructure PPPs.

that are classified as housing policy, slum upgrading and sites-and-services/housing construction (i.e all IBRD/IDA shelter lending except for housing finance). In total, 30 projects had been committed across these three categories during the crisis period, 19 of which, all listed in Table 1, promoted the private sector in shelter or urban infrastructure delivery.[20]

Table 1. Private sector involvement in IBRD/IDA housing projects except for housing finance, 2008-2014.

Housing construction and slum upgrading	Provision of trunk infrastructure
PPP for low-income housing in Productive and Sustainable Cities, Development Policy Loan (DPL), Columbia 2012	Ghana Greater Accra Metropolitan Area project 2013: PPP in sanitation.
PPP for land and housing development in National Macroproyectos Social Interest Program Project, Columbia 2011.	Optimization of Lima Water and Sewerage Systems 2011 through a PPP.
Private sector participation in low-income housing production, Brasil Rio de Janeiro Metropolitan Urban and Housing Development 2011.	Benin Cities Support Project 2013: increase private sector involvement for provision of municipal infrastructure.
PPP for delivery of serviced land and housing in Kenya Informal Settlements Improvement Project (KISIP) 2011.	Urban and Water Development Support Project, Cameroon 2010: PPP in urban water services.
Jamaica Integrated Community Development Project 2014: development of a strategy to incorporate the private sector and NGOs in low-income housing development.	Maputo Municipal Development Program II, 2010: PPP in infrastructure and public service provision.
Low-Carbon DPL Loan, Mexico 2010: subsidy to low-income households to allow purchase of houses from private providers.	Rep. of Congo, Water; Electricity & Urban Development Specific Investment Loan, 2010: PPP in urban water supply.
Integrated Urban Development Project, Yemen 2010: development of partnerships between public and private sectors.	Local Urban Infrastructure Development Project, Niger 2008: promotion of private sector participation in urban public works.
Housing and Communal Services Project, Russia 2008: promotion of private sector participation in housing and municipal services.	
Brasil Municipal Adaptable Program Loan (Teresina Enhancing Municipal Governance and Quality of Life Project, 2008): involvement of private sector in housing regularisation in slum and other low-income housing areas.	
Priority Infrastructure Investment Project, Vietnam 2008: promotion of private sector involvement in housing for the poor.	
Land Administration and Management Project, Montenegro 2008: promotion of private sector (and	

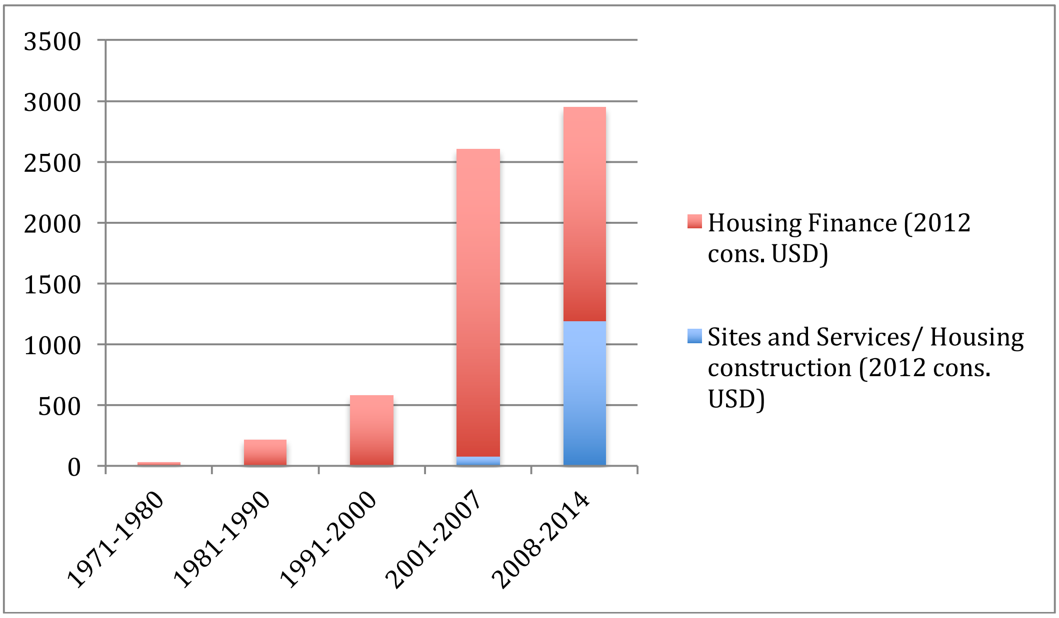
[20] The total project count excludes disaster relief-related projects as well as additional financing on previous projects.

international tendering) in real estate cadastre development.	
Second Land and Real Estate Registration Project, Kyrgyz Republic 2008: promotion of land and real estate markets.	

Source: World Bank Project Appraisal Documents (various)

Finally, while Figure 2 indicates that IFC housing activities slowed down after their fast expansion over the previous period (having quadrupled between 2001-2007, see Figure 4), they continue to account for a significant share of total World Bank Group shelter activities, standing at just under half (46 per cent) for the 2008-2014 period (see Figure 2).

Figure 4. IFC Housing/Shelter Portfolio, 1971-2014 (July) in constant million 2012 US$.



Source: IFC Project Database and, for IFC projects prior to 1995, database underlying World Bank (2006) which was made available by the authors upon request.

In the wake of the financial crisis, the IFC has sought explicitly ‘to help resuscitate an important asset class that has fallen out of favour with some investors’ (IFC, 2013: 2). It pledged to increase the supply of mortgage finance through its investments. Figure 4 also indicates how the involvement of the IFC in housing construction projects has strongly grown. This includes two types of activities. On the one hand, the IFC extends loans to or takes equity stakes in private real estate developers that often have been tasked by governments with the development of affordable housing through PPPs. On the other, IFC involvement in housing construction includes its investments in the private production of building materials (in particular cement).[21]

The World Bank Group has hence become involved across the chain of housing provision in the promotion of privatised finance-led provisioning, as it extends credit and takes equity positions in housing finance institutions, providers of affordable housing and building materials. The combination of housing finance, including microfinance schemes to serve poorer borrowers with PPPs in the provision of housing for the poor renders the privatisation of housing provision for the poor comprehensive across various dimensions of a housing system of provision. An archetypal neoliberal and financialised system of provision is consolidated in the joint promotion of finance on the demand side, multiple providers on the supply side, and cash transfers (here in the form of capital grant subsidies) to act as safety net.

A particular set of analytical arguments drives the persistent commitment to finance-led commodified provisioning in Bank discourse and practices. While these

[21] And as multinational corporations capture the opportunities of such a trend, global cement producers team up with housing microfinance providers to promote loans for the purchase of their cement (see Lafarge Holcim 2016).

started off with the rejection of collective forms of provisioning through state-funded interventions in favour of individualised self-help forms of provision, the analysis quickly became driven by general market-efficiency type arguments. These persisted unperturbed by recurring housing market failures to improve access to housing, which originate in the intrinsic nature of land and the scope for speculative value extraction attached to it. These failures were worsened with the integration of financial and housing markets and the internationalisation of these circuits. Yet, the alleged efficiencies of the private sector in the delivery of shelter as an essential service have achieved canonical status in argument bearing both on housing demand and supply. This is perhaps best epitomised in a 2014 World Bank Working Paper (Collier and Venables, 2014) which celebrates a market-led housing policy through a revisionist and deeply flawed historical account of housing policies, projecting a combination of finance and title as magic bullets to address massive shelter inadequacies through market enablement.[22]

An urgent need persists for a better understanding of the impact, and in particular the equity effects, of the continued promotion of financialised shelter practices in the developing world. This needs to proceed on the basis of a concrete understanding of how global trends are mediated in a specific context where specific institutions, structures and agents interact to produce housing outcomes.

[22] Collier and Venables (2014) forms the backbone of Buckley et al. (2015), which sums up the proceedings of a meeting of high-level representatives of various international and national agencies involved in housing policy. The report expresses concern regarding recent government-driven mass housing initiatives and reiterates arguments against government-led large scale upgrading of the housing stock in developing countries in favour of private sector initiatives (including through participatory slum upgrading). This is despite evidence that the provision of basic infrastructure to informal settlements that are upgraded can amount to three times the cost when extended to large formal housing developments (UN-Habitat 2011).

Such an investigation could benefit from the recent revival of the systems-of-provision framework in the context of housing (see Bayliss et al., 2013; Robertson, 2014) combined with explicit attention to international factors bearing on a particular system of housing provision in a specific country (see Owusu, 2011). It would assist in redefining the international policy spectrum to include ways to decouple shelter provisioning from the hasards of finance (see also Harvey, 2009).

At the same time, certain countries that have been traditionally reliant on Bank assistance, in particular low-income countries, have experienced fast growth during the fifteen years and have seen a strong interest from new actors such as China. This has presented new opportunities in terms of shelter policy. This has led in certain instances to the (re-)emergence of supply-driven approaches to mass housing provision.[23] While these seek to capture benefits of scale and scope as they effect large-scale increases in the housing stock, they have been marred by sets of problems, not in the least through their lack of affordability for the lower-income strata of the population (see Croese et al. 2016; Tipple 2015). This points to the persistence in national housing policies of an attachment to owner-occupation as preferred tenure form in combination with housing finance to facilitate access to such tenure form, rather than that the commodity and financialised logic are abandoned in attempts to resolve the massive shelter inadequacies in the developing world.

Conclusion

[23] See Croese et al. (2016) for a discussion of the mass housing programmes in Angola, Ethiopia, Namibia and South Africa initiated in the 2000s.

This paper examined the nature of the World Bank's approach to housing policy, with a particular interest in an assessment of whether its previous focus on housing finance to overcome shelter inadequacies in the developing world was somewhat tempered as a result of the dramatic fallout of the GFC. The paper pursued a historical approach and such a deconstruction of the Bank's housing discourse and policy practices allowed to illustrate how the Bank's original involvement in housing was heavily imbued by what would later become common neoliberal principles of welfare provisioning: commodification and the withdrawal of collectivity in favour of individual forms of provisioning. Further, it was demonstrated how the particular way in which this agenda was implemented changed as Bank practices shifted to reflect a greater focus on housing finance during the 1980s. This shift to housing finance in the Bank's shelter portfolio was consolidated during the 1990s and was propelled forward by the rising importance of the Bank's private sector affiliate, the IFC, while the Bank's response to mounting criticism of its approach around the turn of the millennium (unsurprisingly) led it to accommodate lower-income households into an unchanged finance-led approach through recourse to financial inclusion and microfinance practices. Finally, the GFC failed to dislodge the Bank's neoliberal and financialised bias, wasting a rare opportunity to broaden the policy spectrum to include alternative forms of shelter provision beyond those organised around finance-led commodified provision.

The analysis of the Bank's approach to shelter over time served a number of purposes. First, it highlighted the distinct features of neoliberal approaches to one aspect of social provisioning, here housing, as promoted by a large international (and public) financial institution. Second, it charted how the nature of a World Bank promoted housing agenda changed as underlying financial conditions changed. Third, it examined the nature of the scholarship deployed in support of Bank housing policy. Fourth, it teased out contradictions and tensions generated by World Bank-promoted housing policies. And, finally, it documented the persistently neoliberal (and financialised) nature of the World Bank's attempted resolution of these tensions. As such, a focus on World Bank housing policy provided a prism through which the trajectory and the mutating nature of a neoliberal housing agenda in the developing world was examined anchoring the paper within broader debates both on the role of international financial institutions in development as well as the nexus between housing, neoliberalism and financialisation.

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Annex

Table 2. Prevalence of housing micro finance in IBRD/IDA projects with housing finance component, 2008-2014.

Country	Project Title	Year	Housing Micro Finance (HMF) Component
India	India Low-Income Housing Finance	2013	Capacity building (development of new financial products, loan standards, risk management tools and financial literacy and consumer protection) and refinancing (by the National Housing Bank) of qualified primary lending institutions that provide low-income housing loans. These include microfinance institutions.
Nigeria	Housing Finance Development Program	2013	HMF component aims to support the development and piloting of new and emerging formal HMF products and demonstrate a sustainable business case for these activities.

Columbia	National Macroproyectos Social Interest Program Project	2011	NONE
Uganda	Financial Sector Development Policy Loan 1	2011	General development of housing finance market, including for micro loans.
Morocco	Sustainable Access to Finance Development Policy Loan	2010	General aim: to expand further access to financial services to underserved sectors 'while preserving financial stability'.[24] This includes improving regulation and supervision in the microfinance sector (p. 2). The loan includes funds for a new housing guarantee fund, Damane Asskane, covering guarantees for housing loans for applicants with low, irregular or informal source of income.[25]
Tanzania	Housing Finance Project	2010	Component 2 of the loan focuses on the development of housing microfinance.
Egypt	Affordable Mortgage Finance Development Policy Loan	2009	Includes addressing the regulatory framework for micro (housing) finance.[26]
Latvia	Financial Sector Development Policy Loan	2009	NONE
Mexico	Private Housing Finance Markets Strengthening Project (loan to the Sociedad Hipotecaria Federal, with guarantee from Mexican government)	2008	To expand access to lower-income groups, including through housing micro-credits.[27]
Montenegro	Land Administration and Management Project	2008	NONE (titling project)
Kyrgyz Republic	Second Land and Real Estate Registration Project	2008	NONE (titling project)

Source: World Bank Project Database, Project Appraisal Documents (various)
Notes: This table lists all IBRD/IDA projects with a housing finance component committed between 2008-2014 (and which exceeded US$1 million in commitment).

[24] http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/10/16/000333037_20121016232915/Rendered/PDF/ICR23100P1172000disclosed0100150120.pdf, p. 1
[25] 'Poor people are expected to remain the main beneficiaries of this scheme, including slum households for which a specific guarantee scheme has been designed (FOGARIM-VSB). Launched in July 2004, the national Moroccan program Villes Sans Bidonvilles evolves from the wide-sweeping goal of eradicating all slums by 2012 through making home ownership affordable for the urban poor' (paragraph 48 World Bank 2012 Implementation Completion Report).
[26] http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2009/09/03/000334955_20090903014626/Rendered/PDF/483050PGD0P1121e0only10R20091021411.pdf
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